

INVENTORY

This chapter contains information and instructions on the required inventory systems for paper pull-tab, tipboard, and paddlewheel games.

The four required inventory systems are:

- perpetual
- physical
- site
- merchandise prize

Electronic games, bingo and raffle inventory instructions are located in the *Electronic Games*, *Bingo*, and *Raffles* chapters.

CONTENTS

| | |
|--|-----|
| Gambling equipment definitions & registration | 208 |
| Purchasing and receiving equipment..... | 209 |
| Types of inventory systems; personnel..... | 211 |
| Perpetual inventory..... | 211 |
| Physical inventory..... | 211 |
| Site inventory | 216 |
| Merchandise prize inventory | 218 |
| Annual inventory and cash count report | 220 |
| Inventory destruction..... | 220 |



Inventory

Gambling equipment definitions

Gambling equipment is defined as:

ELECTRONIC GAMES

- electronic pull-tab devices
- electronic linked bingo devices
- software used to operate electronic pull-tab and electronic linked bingo games

PAPER PULL-TABS

- paper pull-tabs and jar tickets
- paper pull-tab dispensing devices

BINGO

- bingo hard cards
- bingo paper sheets
- bingo paper packages
- bingo paper sheet packets
- linked bingo paper sheets
- sealed bingo paper sheets
- bingo number selection devices (includes bingo boards)
- electronic bingo devices (used by bingo players)

TIPBOARDS

- tipboards
- tipboard tickets

PADDLEWHEELS

- paddletickets
- paddleticket cards
- paddlewheels
- paddlewheel tables

RAFFLES

- Unsold tickets (Although not defined technically as gambling equipment, unsold raffle tickets are included in the inventory amounts reported on the LG100A.)
- Raffle boards
- Electronic raffle selection systems

Registration of permanent gambling equipment

Licensed distributors must register permanent gambling equipment with the Gambling Control Board using a state registration stamp.

Permanent gambling equipment is defined as:

- paddlewheels
- paddlewheel tables
- bingo number selection devices
- electronic bingo devices
- electronic pull-tab devices
- paper pull-tab dispensing devices (machines)
- programmable electronic devices that have no effect on the outcome of a game and are used to provide a visual or auditory enhancement of a game



The distributor places the registration stamp on permanent gambling equipment, except for electronic pull-tab devices, electronic linked bingo devices, bingo devices and programmable electronic devices.

Permanent gambling equipment without a registration stamp is considered contraband.

Cross-check system

- When a game is sold to an organization, the distributor will register that game with the Department of Revenue.
- When a game is closed and reported on the Schedule B2, Revenue will record the game as played in its cross-check system.
- The Department of Revenue can run a report listing all games purchased by an organization that have not been reported as played.

Inventory (continued)

Purchase equipment from licensed distributor

The gambling equipment listed on the previous page may be purchased only from a distributor licensed by the Gambling Control Board. Raffle tickets may be purchased from any vendor.

Other items not listed—such as paper pull-tab jars, booths, point of sale systems, license scanner, bingo flashboard, bingo daubers, paddlewheel chips, and scales—may be purchased from any source.

Frequently asked questions about buying/selling equipment

- Q. May our organization buy gambling product from any licensed distributor?**
- A. Yes, as long as the distributor is licensed by the Gambling Control Board. Also, not all distributors carry the same product. The list of licensed distributors is available at www.mn.gov/gcb or call the Gambling Control Board at 651-539-1900.
- Q. May our organization buy gambling product from more than one distributor?**
- A. Yes, an organization may purchase gambling equipment from more than one distributor. For example, an organization may want to buy paper pull-tab games from two different distributors, bingo paper from another distributor, and electronic pull-tabs from yet another.
- Q. How do we get the best price possible?**
- A. To get the best price possible contact more than one distributor and compare product, cost, and services. Quantity discounts might also be available.
- Q. May we use a copy of the invoices for games as our site inventory?**
- A. No. A current separate list of all games at the site must be maintained. Use the LG847.
- Q. Our lessor stated that he would not renew our lease unless we bought our games from a certain distributor. May our lessor place this restriction on our organization?**
- A. No. A lessor may not place restrictions on an organization that would require the organization to order gambling equipment from a specific distributor.
- Q. May we buy gambling equipment from another organization?**
- A. No. An organization may only purchase gambling equipment from licensed distributors.
- Q. The lessor wants us to pay for a booth. Are we allowed to do this?**
- A. No. Rent is all-inclusive, and an organization may not purchase items from the lessor. If you have questions, please contact your Compliance Specialist at the Gambling Control Board.

Inventory (continued)

Review equipment when received

Bar code—A bar code must be affixed by the manufacturer on each paper pull-tab and tipboard flare and on paddleticket master flares.

Flare—Inspect each paper pull-tab or tipboard flare to be sure that the outline of Minnesota and the following message are printed on the flare.

Paper Pull-Tab Purchasers—This paper pull-tab game is not legal in Minnesota unless an outline of Minnesota with the letters “MN” inside it is imprinted on this sheet, and the serial number imprinted on the bar code at the bottom of this sheet is the same as the serial number on the paper pull-tab ticket you have purchased.

Compare the serial number on the flare with the serial number on the invoice for each game. Notify the Gambling Control Board and the distributor if the numbers do not match.

Keep an invoice with each game

Distributor invoices or true copies must be available for review wherever games are located, including:

- where games are delivered;
- with games when they are in transit; and
- at the permitted premises.

The invoices are used to verify that the games have been purchased from a licensed distributor. Verify the games are correctly listed on the invoices. Invoices usually list more than one game, so make copies for games that are at different locations.

When a game is closed and in storage, keep a copy of the distributor invoice for the game available for review with your organization’s gambling records.

Any game not accompanied by an invoice copy is considered contraband and may be seized by Revenue agents or other authorized law enforcement officials.

Deadline for payment of gambling equipment; delinquency reported to Board

The distributor or linked bingo game provider must receive payment within 30 days of the invoice date. A distributor or linked bingo game provider is required to notify the Gambling Control Board when an organization is delinquent in paying for its gambling equipment.

If an organization is delinquent, the Gambling Control Board will notify all distributors and linked bingo game providers that all sales and leases to that organization must be on a cash-only basis—that is, payment by check or electronic transaction when delivered. No credit may be extended until the payments are current.

Secure your equipment

All gambling equipment must be placed in a secured area under the organization’s exclusive control. The gambling equipment must be secured and kept separate from gambling equipment owned by other organizations, except for a bingo number selection device.

Keys—Ensure control and custody of all keys to the storage area.

Access to storage—Maintain a current list of persons who have access to the storage area.

Inventory (continued)

How many people should be involved with the inventory system?

Good internal controls include having at least four people responsible for gambling inventory records:

- one person to do the ongoing perpetual inventory;
- a different person to take the monthly physical inventory; and
- two or more different people to conduct the annual certified inventory and cash count.

Involving at least four people allows for good accounting checks and balances in the gambling operation and helps protect an organization from theft.

Perpetual Inventory: Ongoing

One person maintains the perpetual inventory record—an ongoing record from invoices and closed games.

This person may not conduct the physical inventory or the annual certified inventory and cash count.

Physical Inventory: Monthly

A different person conducts a physical inventory at the end of each month by actually going to the premises and any other location where unplayed games are stored, recording the inventory, and verifying the accuracy of the perpetual inventory record. The perpetual and physical inventories are compared to verify that all gambling inventory is accounted for.

This person cannot be the individual who:

- controls the inventory on a daily basis;
- is involved in the conduct of the lawful gambling, such as a pull-tab seller;
- maintains the perpetual inventory; or
- conducts the annual certified inventory and cash count.

Physical Inventory: Annually

All licensed organizations must conduct an annual certified physical inventory and cash count at the end of the organization's fiscal year.

The annual certified physical inventory and cash count may be conducted by two members, officers, or organization employees who are not involved in the organization's gambling activity, or by an independent certified public accountant.

Refer to the *Annual Inventory* section at the end of this chapter for reporting requirements.

Perpetual Inventory

When purchasing gambling equipment, keep an ongoing tracking system of the equipment. This system is called a perpetual inventory. The perpetual inventory is continually updated during the month.

What is a perpetual inventory system?

A perpetual inventory is an ongoing document in which all gambling product is logged when it is:

1. received;
2. put into play at each site;
3. removed from play (closed);
4. transferred to another site to be played (only unplayed games may be transferred); or
5. returned to the distributor.

Perpetual inventory records required

Perpetual inventory records of all gambling equipment—paper pull-tabs, tipboards, paddletickets, bingo paper, and raffle tickets—is required. A properly maintained perpetual inventory system allows an organization to know what is in inventory at any time.

EXAMPLE: An organization has just started its gambling operation. Five paper pull-tab games were ordered and received from a distributor on June 5, 2017. As of June 30, 2017:

- one of these games was reported on the Schedule B2 as closed in November;
- two games were in play; and
- two games were not yet put into play.

The perpetual inventory would show four games in inventory and one game that was closed in November.

Perpetual inventory information

Information in the perpetual inventory records must include but is not limited to the following:

- date of the invoice
- distributor name
- invoice number
- manufacturer ID
- part number
- game name or form number
- serial number
- actual game cost
- date each game was put into play or transferred
- date each game was closed or returned to distributor

Required forms to use

Paper pull-tabs, tipboards, and paddletickets—use LG844.

Bingo—use LG900, LG901, LG902, and/or LG930 (see *Bingo* chapter).

Raffles—Raffle Logs (See *Raffles* chapter for inventory information).

MINNESOTA LAWFUL GAMBLING

7/03 Use a separate sheet for each type of game
LG844 Perpetual Inventory/Paper Pull-Tabs, Tipboards, and/or Paddletickets

| License/Premises Permit Number: 99999-001 | | | | | | | | | |
|---|------------------|----------------|-----------|-------------|--------------------------|--------------------|--|-----------------------------------|---|
| Organization Name: Oxbow Lions | | | | | | | | | |
| Column 1 | Column 2 | Column 3 | Column 4 | Column 5 | Column 6 | Column 7 | Column 8 | Column 9 | Column 10 |
| Invoice date | Distributor name | Invoice number | Manuf. ID | Part number | Game name or form number | Game serial number | Actual game cost (do not include sales tax, freight or 1.7% tax) | Date put into play or transferred | Date game closed or returned to distributor |
| 10/2/17 | ABC | 01234 | WX | 567 | Whirley Bird | 54901 | \$41.00 | 10/4/17 | 10/11/17 |
| 10/2/17 | ABC | 01234 | WX | 678 | Open Ice | 700030 | \$53.00 | 10/12/17 | 10/26/17 |
| 10/2/17 | ABC | 01234 | WX | 789 | Minmax Cash | 600403 | \$47.00 | 10/27/17 | |

MINNESOTA LAWFUL GAMBLING

7/03 Use a separate sheet for each type of game
LG844 Perpetual Inventory/Paper Pull-Tabs, Tipboards, and/or Paddletickets

| License/Premises Permit Number: 99999-001 | | | | | | | | | |
|---|------------------|----------------|-----------|-------------|--------------------------|--------------------|--|-----------------------------------|---|
| Organization Name: Oxbow Lions | | | | | | | | | |
| Column 1 | Column 2 | Column 3 | Column 4 | Column 5 | Column 6 | Column 7 | Column 8 | Column 9 | Column 10 |
| Invoice date | Distributor name | Invoice number | Manuf. ID | Part number | Game name or form number | Game serial number | Actual game cost (do not include sales tax, freight or 1.7% tax) | Date put into play or transferred | Date game closed or returned to distributor |
| 10/11/17 | ABC | 56789 | WX | TB30 | MN Tipboard | 00011 | \$2.50 | 10/15/17 | 10/15/17 |
| 10/11/17 | ABC | 56789 | WX | TB30 | MN Tipboard | 00012 | \$2.50 | 10/29/17 | 10/29/17 |
| 10/11/17 | ABC | 56789 | WX | TB30 | MN Tipboard | 00013 | \$2.50 | | |

MINNESOTA LAWFUL GAMBLING

7/03 Use a separate sheet for each type of game
LG844 Perpetual Inventory/Paper Pull-Tabs, Tipboards, and/or Paddletickets

| License/Premises Permit Number: 99999-001 | | | | | | | | | |
|---|------------------|----------------|-----------|-------------|--------------------------|--------------------|--|-----------------------------------|---|
| Organization Name: Oxbow Lions | | | | | | | | | |
| Column 1 | Column 2 | Column 3 | Column 4 | Column 5 | Column 6 | Column 7 | Column 8 | Column 9 | Column 10 |
| Invoice date | Distributor name | Invoice number | Manuf. ID | Part number | Game name or form number | Game serial number | Actual game cost (do not include sales tax, freight or 1.7% tax) | Date put into play or transferred | Date game closed or returned to distributor |
| 10/15/17 | XYZ | 01255 | YZ | PW50 | MN Paddle | 789101 | \$10.00 | 10/15/17 | 10/24/17 |
| 10/15/17 | XYZ | 01255 | YZ | PW50 | MN Paddle | 891001 | \$10.00 | 10/30/17 | |
| 10/15/17 | XYZ | 01255 | YZ | PW50 | MN Paddle | 987651 | \$10.00 | | |

| Physical Inventory | |
|---|---|
| What is a physical inventory system? | |
| A physical inventory is conducted when a person actually looks at and records all the gambling product in play and unplayed at the end of the month. The purpose of the physical inventory is to detect missing or stolen games and identify recordkeeping errors by verifying the perpetual inventory record. | |
| Who should conduct the physical inventory? | |
| <p>The physical inventory is conducted by someone going to each premises, and other locations such as a storage shed, where unplayed games are kept. The person makes a list of all inventory—games in play and games not yet played—for paper pull-tab games, tipboards, paddletickets, bingo paper, and raffle tickets.</p> <ul style="list-style-type: none"> • For good accountability, the physical inventory must be done by someone other than the person who maintains the perpetual inventory records or who controls the inventory on a daily basis. • A physical inventory must be conducted on the last day of each month or the first day of the next month before the start of play. • The person or persons taking the physical inventory must sign and date the inventory sheet after completing the inventory list. | |
| Physical inventory information | |
| <p>Paper pull-tabs, tipboards, and paddletickets—For each game in play and for games not yet played, list the following on the LG846 Physical Inventory/Paper Pull-Tabs, Tipboards, and/or Paddletickets Monthly Report:</p> <ul style="list-style-type: none"> • name of the game • serial number • cost of the game, not including sales tax • part number • manufacturer ID <p>The physical inventory balance does not include closed games or games returned to the distributor for credit.</p> | <p>Bingo and raffles—For bingo paper and raffle tickets, see the <i>Physical Inventory</i> section in the <i>Bingo and Raffles</i> chapters.</p> |
| Verifying and reporting the physical inventory | |
| <p>The month-end physical inventory record must be compared to the perpetual inventory record. Investigate and correct any differences.</p> <ul style="list-style-type: none"> • For each site, enter the total value of the ending physical inventory on the LG100A. • The total amount must also include: <ul style="list-style-type: none"> - the cost of bingo paper, whether paid or not, from the LG903; and - the cost of raffle tickets from the LG821 Physical Inventory/Raffles. • Include the physical inventory in the gambling report presented to your organization's members at the next monthly meeting. | |
| Required forms to use | |
| <p>Paper pull-tabs, tipboards, and paddletickets use LG846</p> <p>Bingo use LG903 (see <i>Bingo</i> chapter)</p> <p>Raffle tickets..... use LG821 (see <i>Raffle</i> chapter)</p> | <p>Forms and instructions are available at www.mn.gov/gcb or from the Gambling Control Board.</p> |

MINNESOTA LAWFUL GAMBLING

LG846 Physical Inventory/Paper Pull-Tabs, Tipboards, and/or Paddletickets Monthly Report

☒ Paper Pull-Tabs
☒ Tipboards
☒ Paddletickets

| | | | | | | | |
|---|-------------|--------------|--|--------------------------------|--|-----------|--|
| Organization name | | Oxbow Lions | | License/premises permit number | | 99999-001 | |
| Site name | | ABC Lodge | | Month/year | | 10/17 | |
| Column 1 | Column 2 | Column 3 | | Column 4 | Column 5 | | |
| Manuf. ID | Part number | Name of game | | Serial number | Actual game cost (do not include sales tax, 1.7% tax, or freight) | | |
| WX | 789 | Minmax Cash | | 600403 | \$47.00 | | |
| | | | | | | | |
| | | | | | | | |
| WX | TB30 | MN Tipboard | | 00013 | \$2.50 | | |
| | | | | | | | |
| | | | | | | | |
| YZ | PW50 | MN Paddle | | 891001 | \$10.00 | | |
| YZ | PW50 | MN Paddle | | 987651 | \$10.00 | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| Signature of person verifying physical inventory (may not be the person who maintains the perpetual inventory) Justin Case | | | | TOTAL | | \$69.50 | |
| | | | | Date taken 10/31/17 | | | |

Site Inventory

What is a site inventory?

A current site inventory of gambling equipment must be maintained at each site where the organization conducts gambling. The site inventory is a listing of all inventory located at the site.

Update the site inventory when a game arrives at the site, is placed into play, and is closed.

Required forms to use

Paper pull-tabs, tipboards, and paddletickets

Use the LG847 Current Site Inventory List to maintain a current site inventory for paper pull-tabs, tipboards, and/or paddletickets.

An organization may use the LG844 Perpetual Inventory to meet this requirement for the LG847 if:

- the organization only has one permitted premises; and
- the LG844 is maintained on site.

The organization may keep a separate site inventory list for paper pull-tab games, paddletickets, and tipboards.

Update the LG847 when a game:

- arrives at the site;
- is placed into play; and
- is closed and removed from play.

Check the LG847 for accuracy on an ongoing basis.

Keep the LG847 form on site as long as any game listed on it is at the site.

As part of the site inventory for paper pull-tab games, also use the LG861 Site Control—Tracking and Auditing of Paper Pull-Tab Games. See *Paper Pull-Tabs* chapter.

Bingo

Maintain forms LG900, LG901, LG902, and LG930 for bingo paper. See *Bingo* chapter.

Raffles

Use the LG821. See *Raffles* chapter.

Forms and instructions are available at www.mn.gov/gcb or from the Gambling Control Board.

LG847 Current Site Inventory List

X Paddletickets[illegible]

Merchandise Prize Inventory

Merchandise prize inventory required

An ongoing (perpetual) inventory of prizes must be maintained for all merchandise prizes purchased and/or received by donation and awarded in the conduct of lawful gambling.

Merchandise prizes—what is allowed

A merchandise prize includes certificates for merchandise, certificates for services, donated merchandise, gift cards, and gift certificates.

Merchandise may not be used as a prize for paddlewheels with table games or progressive tipboard games.

Refer to each *Conduct* chapter for information on prizes and prize limits.

Required form

Use the LG830 Merchandise Prize Perpetual Inventory form.

Instructions are available at www.mn.gov/gcb or from the Gambling Control Board.

LG830 Merchandise Prize Perpetual Inventory

- _____ Raffles
 _____ Tipboards
 _____ X Paddletickets
 _____ Bingo
 _____ Pull-Tabs

[illegible]

*** Note:** If any prizes remain in inventory at the end of the month, enter the total value of the remaining prizes on the LG100F, line 10.

Annual Inventory and Cash Count Report

Each licensed organization must conduct an annual certified physical inventory and cash count at the end of its fiscal year. The report must be submitted to Revenue within 30 days after the end of the organization's fiscal year.

A certified cash count for games in play must be taken for each site on the last day of the fiscal year at the close of business, or the first day of the new fiscal year before the start of business.

The certified physical inventory and cash count may be conducted by two members, officers, or organization employees who are not involved in the organization's gambling activity, or by an independent certified public accountant.

The persons conducting the inventory and cash count must do the following:

1. visit each site to do the inventory and cash count;
2. count all cash for start banks and games in play; and
3. make a list of all games in play (games that will not be reported as played on that month's tax return) and unplayed games in inventory at all sites.

Use the following Revenue forms:

1. CI Annual Certified Physical Inventory and Cash Count Summary.
2. CC Annual Certified Cash Count by Site.
3. INV Annual Certified Physical Inventory by Site.

For additional information on completing the inventory and cash count, refer to the Lawful Gambling Tax Instruction Booklet available from the Department of Revenue, or contact Revenue at 651-297-1772.

Inventory Destruction

When may gambling equipment inventory be destroyed?

Played games—All played games may be destroyed by an organization after 3-1/2 years from the date reported on the Schedule B2.

Other games—Contact the Department of Revenue at 651-297-1772 for instructions and permission to destroy any games that fall into the following categories:

1. unplayed bingo paper;
2. games that will not be put into play and that cannot be returned to the distributor; and
3. games that are damaged due to a catastrophic event such as fire, flood, or vandalism.